

Message Text

PAGE 01 MOSCOW 05117 01 OF 02 141504Z

50

ACTION EUR-08

INFO OCT-01 SS-14 ISO-00 EB-03 SP-02 INR-05 NSC-05 NSCE-00

SAJ-01 L-01 PRS-01 ACDA-05 CIAE-00 PM-03 H-01 SCA-01

VO-01 /052 W

----- 000717

R 141225Z APR 75

FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC 9229

USTREASURY WASHDC

USDOC WASHDC

INFO USMISSION GENEVA

USMISSION NATO

C O N F I D E N T I A L SECTION 1 OF 2 MOSCOW 5117

LIMDIS

E.O. 11652: XGDS-1

TAGS: OVIP (SIMON, WILLIAM E.) ETRD EEWT UR

SUBJECT: US-USSR JOINT COMMERCIAL COMMISSION: FIRST AND FINAL
PLENARY SESSIONS, WORKING GROUP MEETINGS, APRIL
10-11, 1975

1. SUMMARY: FIFTH JOINT US-USSR COMMERCIAL COMMISSION
SESSIONS COVERED FULL RANGE OF ISSUES CURRENT IN BILATERAL
TRADE. AS EXPECTED, TRADE ACT OF 1974 AND CONSEQUENCES OF
SOVIET DECISION NOT TO BRING 1972 TRADE AGREEMENT INTO FORCE
CONSTITUTED CHIEF TOPICS OF DISCUSSION. ATMOSPHERE WAS
POSITIVE THROUGHOUT, AND SECRETARY SIMON'S PARTY, ACCOMPANIED
BY DEPUTY FOREIGN TRADE MINISTER MANZHULO, SOVIET TRADE REP
AND MRS. MKRTUMOV AND SEVEN OTHER SOVIETS, LEFT MOSCOW FOR
SOCHI AND TASHKENT SATURDAY MORNING. END SUMMARY.

2. SUMMARY OF FIRST PLENARY SESSION: SPEAKING MORE IN SORROW
THAN IN ANGER, MINISTER OF FOREIGN TRADE PATOLICHEV SAID US
TRADE AND EX-IM LEGISLATION HAD INFLICTED BLOW UPON DEVELOPMENT
OF US-SOVIET TRADE AND SUGGESTED US NORMALIZE COMMERCIAL
RELATIONS BEFORE BUSINESS COMMUNITIES IN BOTH COUNTRIES BECOME
CONFIDENTIAL

PAGE 02 MOSCOW 05117 01 OF 02 141504Z

DISCOURAGED. SECRETARY SIMON REPLIED THAT BOTH GOVERNMENTS
MUST DELIVER COUNTERPUNCH TO SWEEP AWAY OBSTACLES TO TRADE AND
OVERALL DEVELOPMENT OF US-USSR RELATIONS. SIMON HOPED
ADMINISTRATION COULD GIVE CONGRESS PROPOSALS BY MID-YEAR FOR

CHANGES IN JACKSON AMENDMENT AND EX-IM CREDIT CEILINGS BUT NOTED THAT CONSENSUS WITH CONGRESSIONAL LEADERS WOULD BE FACILITATED BY PROGRESS IN OTHER AREAS, SUCH AS SALT. ACTING SECRETARY TABOR ACCENTED POSITIVE WITH REVIEW OF RECENT COMPUTER LICENSING DECISIONS AND ONGOING PROJECTS. DEPUTY MINISTER MANZHULO AND DEPUTY ASSISTANT SECRETARY DOWNEY REPORTED ON FEBRUARY MEETING OF EXPERTS' GROUP UNDER LONG-TERM AGREEMENT, AND PRESIDENT HAROLD SCOTT OUTLINED US-USSR TRADE AND ECONOMIC COUNCIL'S PROGRAMS AND RECOMMENDATIONS. END SUMMARY

3. MINISTER OF FOREIGN TRADE PATOLICHEV OPENED FIFTH SESSION OF JCC WITH RESTRAINED STATEMENT RECALLING DEVELOPMENT OF US-USSR TRADE SINCE 1972, REGRETTING "BLOW INFLICTED" BY US TRADE AND EX-IM LEGISLATION, AND URGING US TO NORMALIZE COMMERCIAL RELATIONS BEFORE BUSINESS COMMUNITIES IN BOTH COUNTRIES BECOME DISCOURAGED. PATOLICHEV SAID US-SOVIET TRADE HAD MADE RELATIVELY MODEST BUT PROMISING START SINCE 1972 WITH HELP OF EX-IM CREDITS. BEGINNING OF LARGE-SCALE COOPERATION SEEN IN DISCUSSIONS OF SAKHALIN GAS/OIL EXPLORATION, YAKUTIA GAS EXPLORATION, AND PRODUCTION OF FERRO-MANGANESE AND CARBON ELECTRODES. GROWTH IN SOVIET EXPORTS WAS LIMITED BY HIGH US TARIFFS, BUT SOVIETS HAD HOPED TO RECEIVE NON-DISCRIMINATORY TREATMENT.

4. TRADE AND EX-IM LEGISLATION INFLICTED BLOW TO THIS PROMISING DEVELOPMENT, PATOLICHEV CLAIMED, BY TURNING CLOCK BACK TO 1972. LEGISLATION CONTAINED DISCRIMINATORY PROVISIONS, WHICH WERE AN ATTEMPT TO INTERFERE IN SOVIET INTERNAL AFFAIRS CONTRARY TO US-USSR PRINCIPLES OF RELATIONS. BREZHNEV QUOTED TO EFFECT THAT BOTH COUNTRIES COULD SURVIVE ALONE BUT THEY WOULD DEPRIVE THEMSELVES OF BENEFITS TRADE BRINGS. PATOLICHEV STRESSED, HOWEVER, THAT TRADE MUST BE TWO-WAY STREET, THAT ONE MUST BREATHE IN TO BREATHE OUT. FOR EXAMPLE, IT WOULD BE DIFFICULT TO DEVELOP COMPENSATION PROJECTS WITH US COMPANIES DUE TO HIGH TARIFFS. HE THEREFORE CALLED ON US TO NORMALIZE RELATIONS ASAP IN INTEREST OF AMERICAN AND SOVIET PEOPLES
CONFIDENTIAL

PAGE 03 MOSCOW 05117 01 OF 02 141504Z

BEFORE BUSINESS COMMUNITIES IN BOTH COUNTRIES BECAME DISCOURAGED. HE THOUGHT IF VERY IMPORTANT TO COUNTER WIDELY-HELD NOTION IN US THAT ONLY USSR BENEFITED FROM BILATERAL TRADE.

5. SECRETARY SIMON STRESSED THAT BASIC NATURE OF US-USSR RELATIONSHIP HAD NOT CHANGED. IF BLOW HAD BEEN INFLICTED, HOWEVER, HE SUGGESTED BOTH GOVERNMENTS SHOULD DELIVER COUNTER-PUNCH TO SWEEP AWAY OBSTACLES TO TRADE AND OVERALL DEVELOPMENT OF BILATERAL RELATIONS. SIMON EXPLAINED WE DO NOT NEED ADDITIONAL EXPORTS TO ASSURE ECONOMIC RECOVERY BUT WE DO NEED TRADE TO MAXIMIZE GREAT POTENTIAL PRODUCTIVITY OF OUR ECONOMY AND STRENGTHEN BONDS OF PEACE. NOTING PRESIDENT'S DETERMINATION

TO REMOVAL OF RESTRICTIONS IN TRADE AND EX-IM LEGISLATION, HE SAID THE ADMINISTRATION HOPED TO DEVELOP PROPOSALS BASED ON A CONSENSUS WITH THE RESPONSIBLE CONGRESSIONAL LEADERS. IN DOING SO, IMPORTANCE WOULD BE BORNE IN MIND OF REMOVING ARBITRARY CEILINGS ON EX-IM CREDITS AND ELIMINATING UNACCEPTABLE ASPECTS OF JACKSON AMENDMENT. CONGRESSIONAL ACCEPTANCE WOULD BE FACILITATED BY VISIBLE FORWARD MOVEMENT IN OTHER AREAS OF DETENTE, SUCH AS SALT. THE EXPRESSED HOPE THAT COOPERATIVE SPIRIT IN BILATERAL RELATIONS WOULD PERMIT PRESENTATION OF SPECIFIC NEW PROPOSALS TO CONGRESS BY MID-YEAR. COMMERCIAL AND ECONOMIC TIES, SIMON CONCLUDED, ARE ESSENTIAL PART OF CONDUCTING MUTUAL RELATIONS ON BASIS OF PEACEFUL COEXISTENCE.

6. ACCENTING POSITIVE IN US-USSR COMMERCIAL RELATIONSHIP, ACTING SECRETARY TABOR RECALLED THAT SOVIET EXPORTS TO US HAD RISEN BY TWO-THIRDS SINCE LAST JCC MEETING, POINTED TO IMPORTANT CONTRACTS SIGNED BY US COMPANIES IN LAST YEAR AND REVIEWED POSITIVE USG EXPORT LICENSING DECISIONS IN RECENT COMPUTER CASES. TABOR ALSO REQUESTED ADDITIONAL SUPPORT FOR COMMERCIAL OFFICE PROGRAMS AND SIGNALLED OUR INTEREST IN RESOLVING SEVERAL BUSINESS FACILITATION PROBLEMS IN APRIL 11 WORKING GROUPS. NOTING THAT TRADE PROVIDES BUILDING BLOCKS FOR PEACE, HE URGED BOTH DELEGATIONS TO PLEDGE THEMSELVES TO WORK TOWARD PEACE THROUGH INCREASED TRADE.

CONFIDENTIAL

PAGE 01 MOSCOW 05117 02 OF 02 141534Z

50

ACTION EUR-08

INFO OCT-01 SS-14 ISO-00 EB-03 SP-02 INR-05 NSC-05 NSCE-00

SAJ-01 L-01 PRS-01 ACDA-05 CIAE-00 PM-03 H-01 SCA-01

VO-01 /052 W

----- 000924

R 141225Z APR 75

FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC 9230

USTREASURY WASHDC

USDOC WASHDC

INFO USMISSION GENEVA

USMISSION NATO

C O N F I D E N T I A L SECTION 2 OF 2 MOSCOW 5117

LIMDIS

7. DEPUTY MINISTER OF FOREIGN TRADE MANZHULO AND DEPUTY ASSISTANT SECRETARY DOWNEY REVIEWED PROCEEDINGS AND RESULTS OF FEBRUARY MEETING OF EXPERTS' WORKING GROUP UNDER LONG-TERM

AGREEMENT TO FACILITATE ECONOMIC, INDUSTRIAL, AND TECHNICAL COOPERATION. RECALLING US PROPOSAL FOR PROGRAM OF INFORMATION EXCHANGE IN 1975, MANZHULO NOTED SOVIET AGREEMENT FOR EXCHANGE OF INFORMATION ON EACH COUNTRY'S ECONOMY, INDUSTRY AND FOREIGN TRADE DURING FIRST HALF OF YEAR, AND FOR SEMINARS AND SPECIALISTS' MEETINGS TO FURTHER UNDERSTANDING OF PROCEDURAL AND LEGAL ASPECTS OF SOVIET AND AMERICAN TRADE. HE WARNED, HOWEVER, THAT INFORMATION EXCHANGE WOULD NOT RESULT IN INCREASED COMMERCIAL CONTACTS IF US DID NOT MOVE TO NORMALIZE BILATERAL TRADE AND FINANCIAL RELATIONS.

8. HAROLD SCOTT, PRESIDENT OF US-USSR TRADE AND CONOMIC COUNCIL, DESCRIBED COUNCIL'S ACTIVITIES AND PRESENTED RECOMMENDATIONS TO US AND USSR GOVERNMENTS APPROVED AT OCTOBER 1974 MEETING OF BOARD OF DIRECTORS. IN DESCRIBING ACTIVITIES, SCOTT SAID THAT COUNCIL'S FINANCE COMMITTEE, CHAIRED BY A.W. CLAUSEN OF BANK OF AMERICA, WAS ATTEMPTING TO ORGANIZE SYNDICATE OF US BANKS TO PROVIDE DOLS 500 MILLION CONFIDENTIAL

PAGE 02 MOSCOW 05117 02 OF 02 141534Z

IN CREDITS AT FAVORABLE MARKET RATES. HE ALSO NOTED THAT PETER FLANAGAN WOULD BE VISITING MOSCOW SOON TO DISCUSS CREDITS. RECOMMENDATIONS TO GOVERNMENTS INCLUDED REVISION AND SIMPLIFICATION OF VISA AND TRAVEL RESTRICTIONS, ACCELERATION OF USG EXPORT LICENSING PROCEDURES, AGREEMENT TO SHARE MARINE INSURANCE COVERAGE, COMPLETION OF ARBITRATION AGREEMENT, AND STATEMENT OF US POLICY TOWARD PARTICIPATION IN SOVIET ENERGY EXPLOITATION PROJECTS.

9. AT APRIL 11 MEETING OF WORKING GROUP OF BUSINESS FACILITATION, CHAIRED BY DEPUTY ASSISTANT SECRETARY OF COMMERCE DOWNEY AND DEPUTY MINISTER FOREIGN TRADE MANZHULO, SOVIETS RAISED FOLLOWING TOPICS: A) CREATION OF TRADE REPRESENTATION BRANCH OFFICE IN NEW YORK CITY; B) CONGRESSIONAL RATIFICATION OF US-USSR TAX TREATY; C) FACILITATION OF BUSINESS TRAVEL AND ALLEGED TIGHTENING OF US REGULATIONS VIS-A-VIS SOVIET COMMERCIAL VISITORS; AND D) CREATION OF JOINT US-USSR STOCK COMPANIES IN US TO EXPAND SOVIET EXPORTS TO AMERICAN MARKET. SOVIETS UNDERTOOK TO PROVIDE ASAP FURTHER DETAILS OF THEIR REQUEST FOR NYC BRANCH OFFICE. SOVIET PRESENTATION ON NEED FOR US RATIFICATION TAX TREATY VERY LOW KEY.

10. AS EXPECTED, AMERICAN VISA PROCEDURES WERE PICTURED BY SOVIETS AS STEP BACKWARD WHICH INTERFERED WITH DEVELOPMENT TRADE. MANZHULO AND DOWNEY AGREED ON DESIRABILITY FURTHER DISCUSSION VISA QUESTION AT LOWER LEVEL, BUT MANZHULO REFERRED TO PRIOR SOVIET NEED FOR COORDINATION WITH MFA, SINCE THIS WITHIN THEIR JURISDICTION.

11. AMERICAN DELEGATION RAISED A) INEQUITABLE DISTRIBUTION OF MARINE CARGO INSURANCE; B) SOVIET CHAMBER ASSISTANCE TO US COMMERCIAL OFFICE; AND C) CONDITIONS OF ACCREDITED US FIRMS

IN MOSCOW. MANZHULO COUNTERED AMERICAN CLAIM ON INEQUITABLE DIVISION OF INSURANCE WITH COUNTER-CLAIM THAT AMERICANS HAVE SIX TO ONE ADVANTAGE IN REINSURANCE AND EXPLANATION THAT DECISION WHERE TO INSURE UP TO FOREIGN TRADE ORGANIZATION, WHICH DECIDES ON STRICT COMMERCIAL GROUNDS. MANZHULO REITERATED EARLIER SOVIET INTENTION TO IMPROVE CHAMBER COOPERATION WITH US COMMERCIAL OFFICE. DISCUSSION OF PROBLEMS FACED BY US FIRMS IN MOSCOW LED TO COUNTER ARGUMENT BY SOVIETS THAT CONDITIONS HERE IN MOSCOW FAR MORE ADVANTAGEOUS THAN THOSE
CONFIDENTIAL

PAGE 03 MOSCOW 05117 02 OF 02 141534Z

FACED BY SOVIET COMMERCIAL REPRESENTATION IN NYC. BOTH SIDES NOTED, WITHOUT FURTHER DISCUSSION, COMMON POSITION THAT NEGOTIATIONS ON AIR WORTHINESS AGREEMENT SHOULD BE SPEEDED UP.

12. WORKING GROUP ON MAJOR PROJECTS AND FINANCING REVIEWED STATUS OF PROJECTS FOR WHICH CONTRACTS HAVE ALREADY BEEN CONCLUDED, THOSE CURRENTLY UNDER NEGOTIATION, AND POSSIBLE FUTURE ONES. DEPUTY TRADE MINISTER ALKHIMOV REPORTED FOR SOVIETS THAT WORK PROGRESSING SATISFACTORILY ON EXISTING PROJECTS, ALTHOUGH SOMETHING UNDER DOLS 100 MILLION IN AVAILABLE EX-IM AND COMMERCIAL CREDITS WAS STILL UNUSED. HE INDICATED THAT MOST OF THIS SUM MAY BE TAKEN UP IN OCCIDENTAL AMMONIA PIPELINE DEAL, CONTRACT FOR WHICH MAY BE SIGNED AS EARLY AS MAY. UNUSED CREDITS FOR KAMA LIKELY ALSO TO BE DISBURSED WITHIN NEAR FUTURE.

13. ALKHIMOV REPEATEDLY STRESSED THEME THAT WITHOUT RESTORATION OF EX-IM CREDITS BILATERAL MAJOR PROJECTS WILL CERTAINLY BE ADVERSELY AFFECTED--EITHER BY LONG DELAYS IN COMING TO FRUITION OR BY OUTRIGHT CANCELLATION OF NEGOTIATIONS. ALKHIMOV SPECIFICALLY CITED KAISER ALUMINUM PROJECT AS ONE WHICH COULD REVERT TO THE FRENCH (PECHINEY) IF SATISFACTORY RESOLUTION TO CREDITS PROBLEM IN US NOT FORTHCOMING. ALKHIMOV NOTED THAT, DUE TO UNAVAILABILITY OF CREDITS AT FAVORABLE RATES IN US, SOVIET UNION HAS PLACED CONTRACTS INVOLVING SOME DOLS 730 MILLION IN LOANS WITH WESTERN EUROPEAN COMPANIES SINCE BEGINNING OF 1975.

14. SOVIET TEAM SEEMED SOMEWHAT CONFUSED ON BOTH HOTEL AND ATC PROJECTS. ON FORMER, UNDERSECRETARY BENNETT SPECIFICALLY ASKED ABOUT INTERCONTINENTAL DEAL, TO WHICH ALKHIMOV REPLIED THAT ONLY PROJECT UNDER NEGOTIATION VIS-A-VIS US BUSINESS WAS WITH INTERNATIONAL HOTELS (HEADED, HE SAID, BY CYRUS EATON, JR.) FOR CONSTRUCTION OF ONE HOTEL. TALKS WITH THIS GROUP PROCEEDING "SATISFACTORILY," AND CONTRACT "MAY" RESULT. ALKHIMOV DID STATE THAT FRENCH HAVE CONTRACTED TO BUILD FOUR HOTELS IN USSR, AND SWEDES THREE (I.E., THE INTERCONTINENTAL HOTELS). CONCERNING ATC, A.L. STESNYOV, SPEAKING FOR SOVIETS, ALLEGED THAT SPERRY-UNIVAC PROPOSAL WAS BEING VIEWED UNFAVORABLY BECAUSE "IT IS INCOMPLETE" AND DOES NOT FULLY MEET SOVIET REQUIREMENTS. BENNETT REPLIED THAT HE HAD HEARD JUST THE

CONFIDENTIAL

PAGE 04 MOSCOW 05117 02 OF 02 141534Z

OPPOSITE, BUT THAT IF USSR WANTS SIMPLER SYSTEM THE US FIRM A.I.L. HAS SUBMITTED WHAT SHOULD BE GOOD PROPOSAL. STESNYOV INDICATED AWARENESS OF A.I.L. PROPOSAL, BUT STATED THAT BOTH SPERRY-UNIVAC AND A.I.L. HAVE NOT BEEN VERY ACTIVE IN PURSUING THEIR PROPOSALS. BENNETT SAID, AGAIN, THAT WAS EXACT OPPOSITE OF HIS INFORMATION, THAT BOTH COMPANIES VERY INTERESTED. STESNYOV ALSO INDICATED THAT MATTER STILL UNDER REVIEW, IMPLYING THAT SOVIET DECISION NOT YET TAKEN ON WHETHER TO BUY FROM US OR THIRD-COUNTRY SUPPLIER.

15. SUMMARY OF FINAL PLENARY SESSION: OPENING FINAL PLENARY SESSION AT 1540 APRIL 11, PATOLICHEV TURNED IMMEDIATELY TO DEPUTY FOREIGN TRADE MINISTER ALKHIMOV FOR REPORT FROM WORKING GROUP ON MAJOR PROJECTS AND FINANCING. ALKHIMOV GAVE ACCURATE SUMMARY OF MEETING AS REPORTED IN PARAS 12 AND 13 ABOVE AND UNDERSECRETARY BENNETT NOTED IN ADDITION THAT AMERICAN SIDE INTENDS USE OF POSSIBLE SOURCES TO ASSIST IN FINANCING US-SOVIET TRADE. BENNETT STRESSED CREDIT FROM PRIVATE US SOURCES, COMMENTING THAT INTERESTS RATES FROM THESE SOURCES ARE LOWER THAN A YEAR AGO. DOWNEY-MANZHULO REPORT ON BUSINESS FACILITATION WORKING GROUP OUTLINED DISCUSSIONS COVERED PARAS 9-11 ABOVE, AND AFTER USUAL EXCHANGE OF COMPLIMENTS ON CONSTRUCTIVE CONTRIBUTIONS BOTH SIDES MADE TO DISCUSSIONS, PATOLICHEV AND SECRETARY SIMON CONCLUDED FIFTH SESSION OF JOINT COMMISSION BY SIGNATURE OF AGREED MINUTES (TEXT TRANSMITTED SEPTTEL).
STOESSEL

CONFIDENTIAL

<< END OF DOCUMENT >>

Message Attributes

Automatic Decaptioning: Z
Capture Date: 26 AUG 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE LAW, FOREIGN RELATIONS, COMMITTEE MEETINGS, TRADE AGREEMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 14 APR 1975
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GarlanWA
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975MOSCOW05117
Document Source: ADS
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: 11652 XGDS-1
Errors: n/a
Film Number: D750129-0719
From: MOSCOW
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t197504104/baaaatmo.tel
Line Count: 304
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: LIMDIS
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GarlanWA
Review Comment: n/a
Review Content Flags:
Review Date: 12 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <12 JUN 2003 by izenbei0>; APPROVED <18 JUL 2003 by GarlanWA>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: n/a
TAGS: OVIP, ETRD, EEWT, UR, (SIMON, WILLIAM E)
To: STATE
USTREASURY
USDOC INFO GENEVA
NATO
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006

